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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC #02345-84
16 April 1984

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM: Maurice C. Ernst
National Intelligence Officer for Economics

SUBJECT: NSC Stockpile Study

1. I recommend that you sign the attached pro forma memorandum to McFarlane, giving your concurrence on the planning assumptions of the stockpile study prior to their consideration by the President.
2. The working group reports of the NSC stockpile study are an improvement over the previous methodology used by the Federal Emergency Management Agency (FEMA) in 1976 and updated in 1979. At the same time, serious flaws remain:
 - Few think the war scenario used (a three-year conventional war in Europe, the Middle East and Korea) is realistic, but in broad terms it is mandated by Congress.
 - The wartime economic simulations were done on the Wharton econometric model, which uses peacetime data and parameters.
 - Military programs are costed in terms of broad categories only; direct and indirect import requirements are inputed using the Wharton model.
 - There are data only on direct purchases by DoD; purchases by defense contractors cannot be traced.

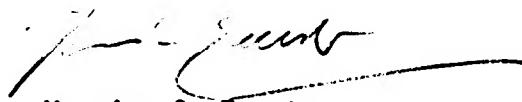
On the whole, the current study probably makes the best of a bad situation, which will not improve until better data can be collected on which to base serious mobilization planning.

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3. The Intelligence Community's main contribution to the study was an assessment of the reliability of foreign suppliers in wartime. I chaired an interagency working group, which included DIA, State, CIA, OMB and FEMA, with DIA making the largest input.

4. You may wish at least informally (for example, at your regular weekly meeting with McFarlane) to raise your concerns about the broader issue of US dependence on foreign sources, not only for minerals, but also for key manufactures and technology. We may find that processing capacity in key manufacturing industries will be potentially a more difficult problem than minerals for future defense production planning.

5. I am told that the final stockpile recommendations are to be discussed at a Cabinet meeting in about two weeks.



Maurice C. Ernst

Attachments:

NSC Memo dtd 11 April 84
NIO Econ Memo dtd 11 Jan 84
Memo for DCI signature

CONCUR:

Director of Central Intelligence

Date

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DCI/NIC/NIO/Econ:M.Ernst:bha(16 Apr 84)

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